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Grain and Feed

Grains and Oilseeds Update

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Approved by:

Susan Reid
U.S. Embassy

Prepared by:

Mila Boshnakova

Report Highlights:

The food and feed deficit in Bulgaria has further deepened in August with an anticipated 50 percent reduction in the corn crop and a more than 30 percent decline in the sunflower crop. Lower stocks and lack of price competitive alternatives for imports are driving all staple food prices upward. In MY07/08, corn imports are most likely to come from Hungarian intervention stocks and/or Latin America. In July, Bulgaria exported 43,000 MT of barley to non-EU destinations. Reportedly, most cross-border trade in wheat will be with Greece and Romania.

Includes PSD Changes: No
Includes Trade Matrix: No
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Sofia [BU1]
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Supply

MY07/08 crop estimates

In July and August, the grain deficit has deepened further in anticipation of final crop estimates for corn, rapeseeds and sunflower. (See official grain and oilseeds estimates in Table 1). Traders and some farm groups continue to argue that wheat crop was lower than the official figure, at 1,850,000 MT.

There are still no official government estimates for corn and sunflower. Corn estimates vary widely, from 200,000 MT (industry sources) to 800,000 MT (government sources). This is compared to previous April estimates of about 1.5 MMT. According to farm groups, half of corn areas are completely killed by drought, and the other half will produce very low yields. In major production regions, 28 percent of corn crop is in mediocre condition while 72 percent is in bad condition. Corn yields are likely to vary from zero to 2.0 MT/HA. The prevailing opinion is that corn crop will be half or less of the previously expected. The AgOffice current estimate is at 600,000 MT. Corn deficit is seen as critical, and with the highest negative effect on the meat, dairy and poultry sectors.

Sunflower crop is also affected by drought but as a more resistant crop, the damages are less. Experts estimate average yields at 0.6 MT/HA to 1.2 MT/HA, thus local production is likely to be between 550,000 MT and 730,000 MT. AgOffice current estimate is at 650,000 MT. In major production areas, 25 percent of sunflower crop is severely hit, the remaining 75 percent are in relatively good condition. According to first reports, quality of sunflower is not very good, the fat content is lower and the percent of foreign matters is higher than usual.

Fall planting, MY08/09

Farmers from the major grain region, Dobrudja, have voiced their concern about lack of soil moisture in the surface and sub-surface levels, up to 2 meters depth. Fall planting is in serious danger if no rainfall comes until September. If drought continues, a catastrophe in fall supplies is very likely (see also Domestic Support section).

Trade

Exports and Imports

Wheat: According to Union of Feed Manufacturers, about 200,000 MT of MY07/08 wheat crop is being sold and/or will be sold in the near future to Greece and Romania. Official Customs data shows no exports for July. The State Reserve made an announcement for purchase of 150,000 MT imported wheat but no actual actions have been taken yet. Traders do not report any intentions for commercial imports and are waiting to see Russian and Ukrainian final crop figures and export decisions. In MY06/07, Bulgaria exported 1.010 MMT of wheat of which 600,000 MT to the EU (Table 2).

Barley: Barley exports in MY07/08 until end-July were 43,000 MT (see Table 3), all to non-EU destinations. In the previous marketing year, total exports were 113,000 MT of which 77,000 MT to EU countries.

Corn: Traders and government still do not have clear final estimates about country's import needs. Importers are looking for imports ranging from 450,000 MT to 800,000 MT, depending on the harvest results; most likely origins are Hungary and/or Latin America. The

poultry industry estimates its needs in corn at 550,000 MT, and pork producers at 480,000 MT, or total 1.030 MMT, much above the expected crop. Bulgaria will have also higher demand due to expanded starch processing capacity.

The GOB continued to encourage farmers to actively participate in tenders for purchase of Hungarian intervention corn. A high level MinAg delegation visited Hungary to support potential Bulgarian buyers. Bulgaria also tried to negotiate a special country specific quota.

In MY05/06, corn exports were 438,000 MT of which 132,000 MT to the EU. In MY06/07 (until end-July), exports were 208,000 MT of which 35,000 MT to the EU. (see Table 4).

Sunflower: Imports of sunflower seeds or crude oil are on the horizon, from price competitive destinations such as Moldova and Ukraine, depending on the final harvest results. In MY06/07 (until end-July), sunflower exports were 612,000 MT of which 243,000 MT to the EU (see Table 5). In MY05/06, total exports were 326,000 MT of which 168,000 to EU member states.

Stocks

According to government sources, grain and oilseed stocks as of July are: 150,000 MT of wheat; 80,000 MT of corn; 30,000 MT of sunflower. These figures do not include on-farm stocks Intervention Agency

Intervention Agency

Bulgaria does not have a functioning Intervention Agency yet. There are approved grain storage facilities but there are no legal regulations, and the assigned personnel is not trained. The Agency can start operating by the fall of 2008 for the intervention period November 1- May 31. Bulgaria has the right to purchase 500,000 MT of grains. The major challenge remains grain quality control upon purchasing.

The GOB decision (July) to establish a new military reserve under the Ministry of Internal Affairs including grains, was a surprise for many observers. Until now, the military reserve was a part of the State Reserve. In the new situation, it is not clear what will be the future of storage bases and grain stocks hold by the State Reserve.

Prices

Wheat: Wheat prices reached about 200 Euro/MT for milling wheat, and 170 Euro/MT for feed wheat, as forecasted earlier. In August, wheat prices have stabilized, and experts think no further sharp increases are likely. Bread prices also stabilized around 0.85 Euro/kilo.

Sunflower: Sunflower harvest started in mid-August and the first lots are on the market. Crushing plants are rushing to purchase more stocks. Shorter supply, lack of imports and higher demand for biodiesel have pushed the price up to 550-600 leva/MT (275-300 Euro/MT) or double than in 2006. Traders expect prices to reach 340 Euro/MT in the fall/winter.

Sunflower oil prices also soared, and reached 1.40 Euro/liter at the retail level. This way, crushers hope to accumulate more revenue to purchase extra stocks. Recent imports of more price competitive Romanian oil limited only temporarily this price trend. Another reason for the price rally is "panic" demand – retailers report that many limited income consumers buy 12 and more bottles of oil at once, in fear of even higher prices in the future.

The association of crushers warned consumers that retail prices may reach 2.0 Euro/liter later in the year.

Compound feed: Compound feed manufacturers registered 20 percent - 36 percent higher prices compared to a year ago: 32 percent increase for feed for hogs; 22 percent higher price for feed for broilers and 36 percent more expensive feed for calves.

Domestic support

In August, the MinAg began to pay compensation to farmers for 85 percent or more losses (wheat and barley) from drought. Total about 4.0 million Euro will be paid to 480 farmers covering 18,500 HA of wheat and 6,000 HA of barley, at a rate of 175 Euro/HA of wheat and 150 Euro/HA of barley.

According to the Paying Agency, funds will be depleted soon and no compensation can be paid to corn and sunflower growers although losses are more significant than those of the fall crops.

The MinAg started two new low rate credit lines: for purchase of wheat seeds (5.0 Euro/HA); and for purchase of fertilizers for wheat production MY08/09 (20 Euro/HA), at a total value of 20 million Euro. Farmers, however, are not satisfied with the size of this support. For example, Dobrudja farmers' union assessed the planting seeds subsidy of 5.0 Euro/HA as very low compared to actual cost of 45-60 Euro/HA. To date, 2,800 farmers applied under the planting seeds program for 645,000 HA; and about 3,000 farmers applied under the fertilizers program for 794,000 HA.

The National Grain Producers Association sent a declaration to the GOB appealing for full size subsidy from the national budget paid per hectare, 60 Euro/HA, and additional funds for covering of spring crops losses (estimated at 100 million Euro). As of today, the GOB has not responded to this letter.

An increasing number of experts, traders and some producers have calculated that total revenue from the wheat crop in 2006 was 260 million Euro (3.0 MMT at 85 Euro/MT) while in 2007, this amount is 415 million Euro (2.2 MMT at 190 Euro/MT). Wheat production declined 26.7 percent but farmer revenue is 63.9 percent higher. Thus, they expressed their protest against GOB decision to provide drought compensation to farmers. This micro calculation does not take into account differences at the farm level.

Table 1. Grain and oilseeds official production estimates, 2007, HA and MT

Grain and oilseeds official production estimates, 2007, HA and MT				
Crop	Planted Area, HA	Harvested Area	Av. Yield, MT/HA	Production, MT
Wheat	1,045,459	1,003,081	2.11	2,114,867
Winter barley	173,331	166,335	2.17	360,144
Spring barley	13,575	9,627	1.64	15,828
Rye	4,875	3,057	1.53	4,665
Triticale	4,892	4,800	1.80	8,666
Rapeseeds	45,308	43,535	1.75	76,286
Corn	363,833	NA	NA	600,000*
Sunflower	663,157	NA	NA	650,000*
Source: MinAg bulletin as of July 23; *AgOffice estimates as of August, 07				

Table 2. Exports of wheat and wheat flour, MY2006/2007, MT

Exports of wheat and wheat flour, MY2006/2007, MT			
Wheat		Wheat flour	
Romania	93,535	Albania	93
Greece	27,726	Greece	370
Spain	516,466	Romania	31
Tunisia	23,000	Macedonia	10
Israel	41,847		
Portugal	54,711		
Phillipines	40,691		
Egypt	33,200		
India	36,982		
Turkey	64,959		
Morocco	12,551		
Albania	15,269		
Algeria	14,234		
Total	1,010,393	Total	568
Inc. EU	606,507	Inc. EU	371

Table 3. Barley exports in MY2006/2007, and from July 1 to July 30, 2007, MT

Barley exports in MY2006/2007, and from July 1 to July 30, 2007, MT			
MY 2006/2007		July 1-30,2007	
Greece	32,817	Tunisia	10,329
Israel	15,027	Morocco	7,185
Spain	28,897	Saudi Arabia	25,000
Italy	14,316		
Syria	14,465		
Total	112,813	Total	42,514
Inc. EU	76,955	Inc. EU	0

Table 4. Corn exports in MY05/06 and MY 06/07 (until July 30), MT

Corn exports in MY05/06 and MY 06/07 (until July 30), MT			
MY05/06		MY 06/07 (until July 30)	
Italy	12,597	Italy	4,818
Greece	13,723	Greece	29,935
Spain	74,265	Spain	4,504
Portugal	23,000	Albania	5,486
Macedonia	16,009	Lebanon	2,662
Romania	24,003	Cyprus	33,564
Syria	64,252	Syria	3,919
Israel	30,942	Turkey	100,167
Tunisia	31,912	Tunisia	16,760
Egypt	35,018		
Algeria	72,159	Algeria	5,761
Morocco	17,058		
Total	437,651	Total	208,228
Inc. EU	131,703	Inc. EU	34,753

Table 5. Sunflower exports, MY05/06 and MY06/07 (until July 30), MT

Sunflower exports, MY05/06 and MY06/07 (until July 30), MT			
MY 05/06		MY06/07 (until July 30)	
Turkey	174,236	Turkey	209,954
Spain	100,174	Spain	68,267
Romania	10,064	Romania	10,128
Germany	10,969	Germany	9,903
Sweden	1,078	Sweden	4,004
Norway	1,996	Portugal	37,315
Holland	699	Holland	34,283
France	5,149	France	61,089
Finland	4,162	Finland	8,263
		Austria	7,098
		Hungary	1,371
		Pakistan	134,131
		Italy	9,446
		Morocco	8,025
Total	325,564	Total	611,810
Inc. EU	168,442	Inc. EU	243,237

Table 6. Sunflower oil exports, MY05/06 and MY06/07 (until July 30), MT

Sunflower oil exports, MY05/06 and MY06/07 (until July 30), MT			
MY05/06		MY06/07 (until July 30)	
Macedonia	8,047	Macedonia	9,780
Serbia and Montenegro	14,416	Serbia and Montenegro	9,998
Albania	2,196	Albania	703
Turkey	7,577	Turkey	3,624
		Kosovo	2,078
		Greece	1,218
		Spain	5,251
Total	33,118	Total	33,349
Inc. EU	459	Inc. EU	6,503